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9 UNITED STATES BANKRUPTCY COURT
10 EASTERN DISTRICT OF WASHINGTON AT SPOKANE

11 In re

No. 10-04024-FLK 11

12 CENTURION PROPERTIES III,
13 LLC,

Chapter 11

14 DEBTOR'S PLAN OF
15 REORGANIZATION

16 Debtor.

17 FILED BY: Debtor Centurion Properties III, LLC ("CPIII" or "Debtor")

18 I. INTRODUCTION

19 The terms used in this Plan will have the meanings set forth below. If a term is
20 not defined in the Plan, it shall have the meaning given for that term by the
21 Bankruptcy Code or Bankruptcy Rules.
22

23 Centurion Properties III, LLC is a Washington limited liability company formed
24 by its members on August 1, 2006. Its membership interests are owned by CPIII. The
25 sole purpose of the Debtor was and is "the acquisition, ownership, operation and
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1 management of the real estate project known as the Battelle Leaseholds located in
2 Richland, Washington, and such activities are necessary, incidental or appropriate in
3 connection therewith." The Debtor's sole asset is its leasehold interests in the Battelle
4 Memorial Institute Campus ("Battelle Property") and the improvements (i.e. the
5 buildings) located thereof which, collectively, have been valued in excess of \$90
6 million. By submitting this Plan, CPIII desires to put in place a mechanism through
7 which these bankruptcy proceedings will achieve finality. Both the letter and spirit of
8 this Plan should be construed accordingly. The Plan is submitted pursuant to
9 Bankruptcy Code § 1129(a) and Bankruptcy Rules 3016 and 3018.

13 ARTICLE I

14 Definitions

15
16 A. Defined Terms. The following terms, when used in the Plan,
17 shall, unless the context otherwise requires, have the meanings set forth in this Article.

18 1. Administrative Expenses: Any expense in the Chapter 11
19 case of the type defined in § 503(b) of the Bankruptcy Code including, but not limited
20 to, all liabilities incurred by the Debtor in the operation of their business to employees
21 and trade vendors.
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23 2. Allowed Claim: Any Claim in the amount and of the
24 classification set forth in the proof of such Claim that has been timely filed in the
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1 Chapter 11 Case, or in the absence of such proof, as set forth in the Debtor's
2 Schedules of Liabilities filed in the Chapter 11 Case, unless (a) such Claim has been
3 listed in such schedule as disputed, contingent, or unliquidated, in which case such
4 Claim shall be allowed only in such amounts and of such classification as is
5 authorized by a Final Order of the Court; (b) such Claim has been objected to or is
6 objected to before or after Confirmation, in which case such Claim shall be allowed
7 only in such amounts and such classification as is authorized by a Final Order of the
8 Court; or (c) such Claim has been paid in full, withdrawn, released, or otherwise
9 deemed satisfied in full.
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13 3. Bankruptcy Code or Code: Title 11 of the United States
14 Code.
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16 4. Bankruptcy Rules: The Federal Rules of Bankruptcy
17 Procedure.
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19 5. Battelle Property: The leasehold interests in the Battelle
20 Memorial Institute Campus and the improvements (i.e. the buildings) located thereof.
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22 6. Benton County Treasurer: Treasurer or Treasurer's Office
23 for Benton County, Washington.
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1 7. Budget: The budget that was included as part of the most
2 recent Cash Collateral Order (Docket No. 77) and any subsequent orders of the Court
3 extending, modifying, or amending the Budget.
4

5 8. Cash Collateral Order: The Court's Stipulated Order
6 Authorizing Use of Cash Collateral and Providing Certain Adequate Protection
7 (Docket No. 76) and any subsequent orders of the Court extending, modifying, or
8 amending the Cash Collateral Order.
9

10 9. Causes of Action: The rights that the Debtor or Estate may
11 hold against any person or entity, including without limitation, and claims, rights or
12 cause of action under §§ 544 through 550 of the Bankruptcy Code or any similar
13 provisions of state law, or any other statute or legal theory.
14

15 10. Chapter 11: Chapter 11 of the Bankruptcy Code.
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17 11. Chapter 11 Case: The case of the reorganization of the
18 Debtor commenced by the filing of a voluntary petition under Chapter 11 on the
19 Petition Date and now pending in this Court.
20

21 12. Claim: Any right arising before the Petition Date to payment
22 from the Debtor, whether or not such right is reduced to judgment, liquidated,
23 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
24 equitable, secured, or unsecured; or any other right arising before the Petition Date to
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1 an equitable remedy for breach of performance if such breach gives rise to a right to
2 payment from Debtor, whether or not such right is reduced to judgment, liquidated,
3 unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
4 equitable, secured, or unsecured, or right to payment arising by virtue of the rejection
5 of an executor contract under this Plan or otherwise.
6

7
8 13. Class: A class of Administrative Expenses or Claims as
9 defined herein.

10 14. Centrum Financial Services, Inc: Alleged interest holder in
11 the Battelle Property.
12

13 15. Centurion Management III, LLC: Centurion Management
14 III, LLC is a disputed equity holder, member, and former Managing Member of
15 Centurion Properties III.
16

17 16. Centurion Pacific, LLC: A disputed creditor of CP III.

18 17. Centurion Properties III, LLC: Centurion Properties III,
19 LLC, a Washington Corporation, and Debtor in the present Chapter 11 proceeding.
20 CPIII owns and manages the leasehold interests associated with the Battelle Property.
21

22 18. Centurion Southwest, LLC: A disputed creditor of CP III.

23 19. Confirmation: The entry of this Court of the Confirmation
24 Order.
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1 20. Confirmation Date: The date on which the Confirmation
2 Order is entered on the docket by the Clerk of the Court.

3
4 21. Confirmation Order: The order of the Court confirming this
5 Plan pursuant to § 1129 of the Bankruptcy Code.

6 22. Court: The United States Bankruptcy Court for the District
7 of Eastern Washington acting in this case.

8
9 23. Creditor: Every holder of a Claim (whether or not such
10 Claim is or becomes an Allowed Claim) and encompassed within the statutory
11 definition set forth in § 101(10) of the Bankruptcy Code.

12
13 24. Debtor: Centurion Properties III, LLC, a Washington
14 Corporation.

15
16 25. Debtor in Possession: The Debtor, when exercising its
17 rights, powers and duties under § 1107(a) of the Bankruptcy Code in this Chapter 11
18 case.

19
20 26. Disclosure Statement: The Disclosure Statement that
21 accompanies the Plan.

22
23 27. Disputed Claims: Claims as to which any party in interest
24 files an objection, which objection has not been withdrawn or resolved by a Final
25 Order.

26

1 28. Effective Date: The first business day of each month that is
2 at least thirty (30) days after the Confirmation Order has become a Final Order.

3
4 29. Equity Funding, LLC: A Disputed Creditor claiming an
5 interest in the Battelle Property.

6 30. Estate: The estate created in the Chapter 11 Case under §
7 541 of the Code.

8
9 31. Executory Contract: Every contract of the Debtor, or
10 pertaining to property of the Debtor, including any unexpired lease of real property or
11 equipment, which the Debtor is obligated to assume or reject under § 365 of the Code.

12
13 32. Final Order: An order of the Bankruptcy Court that has been
14 entered and either: (a) the time for appeal from such entered order has expired with no
15 appeal having been filed timely, (b) any appeal from such entered order has been filed
16 and such order has also been stayed by any court, or (c) any appeal from such entered
17 order has been dismissed or finally determined.

18
19 33. General Electric Capital Corporation: ("GECC") First
20 position lien holder on the Battelle Property.

21
22 34. Impaired Claim or Class: A Claim or Class of Claims that is
23 impaired as that term is defined in § 1124 of the Bankruptcy Code.

24
25 35. Nicole Kelley: Alleged equity holder and member of CPIII.

1 36. Petition Date: July 9, 2010, the day upon which the Debtor
2 filed with the Bankruptcy Court its voluntary petition commencing this Chapter 11
3 Case.
4

5 37. Plan Disbursing Agent: The entity responsible for collecting,
6 administering, and distributing assets in accordance with the terms of the Plan.
7

8 38. Priority Claim: a Claim entitled to priority pursuant to §
9 507(a) of the Code.
10

11 39. Reorganized Debtor: The Debtor after the Effective Date of
12 the Plan.
13

14 40. Secured Claim: An Allowed Claim to the extent that it is a
15 secured claim, as provided by § 506 of the Bankruptcy Code.
16

17 41. Sigma Management Inc: The Battelle Property Manager and
18 Plan Disbursing Agent.
19

20 42. SMI Group IVX, LLC: A 27 percent owner of membership
21 units in CPIII. SMI is the sole Managing Member of CPIII.
22

23 43. Umpqua Bank: Disputed creditor of CPIII and successor in
24 interest to Evergreen Bank.
25

26 44. Unimpaired Claim or Class: A Claim or Class of Claims that
is not Impaired, as defined herein.

1 **ARTICLE II**

2 **Classification of Claims**

3
4 Administrative Expenses and Claims as allowed by the Court are placed in the
5 following classes:

6 A. **Summary of the Plan.**

7
8 The Plan provides for the reorganization of Debts and the continued ownership
9 and operation of the Battelle Property. The Debtor will continue with litigation to
10 determine the nature, extent, and amount of the debt owed to certain Classes of
11 Creditors holding disputed Claims. The Plan provides for the refinancing of Allowed
12 Secured Claims and payment to other Classes of Claims using ongoing revenue
13 derived from lease payments. The Plan is intended to be fully consummated within
14 thirty six (36) months, with payment in full of all Allowed Claims.
15
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17 B. **Classification and Treatment of Expenses, Claims, and Interests.**

18 1. **Treatment of Unimpaired (Non-Voting) Classes.**

19
20 a. **Class 1 – Administrative Expenses.** All Unimpaired Classes
21 and Allowed Claims in those Classes, unless paid sooner pursuant to an order entered
22 by the Court, will be paid on the first business day of the month following the
23 Effective Date. The following Classes of Administrative Expenses and Claims are
24 Unimpaired under the Plan. Pursuant to § 1126(f) of the Bankruptcy Code, each such
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1 class, and each holder of an Administrative Expense or Claim in such class, is
2 conclusively presumed to have accepted the Plan, and the solicitation of acceptances
3 from such holders is not required.
4

5 b. Class 2 – Priority Claims. The holders of Allowed Class 2
6 Claims, if any, shall be paid in full on the first business day of the month following
7 the Effective Date, in accordance with their respective legal, equitable, and contractual
8 rights. The Debtor does not believe there are any Priority Claims. This Class is not
9 Impaired and is deemed to have accepted the Plan.
10

11 c. Class 3 – Membership Interests in the Debtor. CPIII
12 recognizes the following membership interests in the Debtor:
13

- 14 1. Nicole M. Kelly 10%
- 15 2. Centurion Management III, LLC 63%
- 16 3. SMI Group, XIV, LLC 27%
- 17

18 Although the interests of Kelly and Centurion Management III, LLC are subject
19 to offset and forfeiture, the ownership is of record and shall be retained pursuant to
20 this plan, subject only to offset, modification, or determination by Court order entered
21 in Adversary Proceeding 10-80118. This Class is not Impaired and is deemed to have
22 accepted the Plan.
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1 2. Treatment of Impaired (Voting) Classes.

2 a. Class 4 – Secured Claim of GECC. This is a secured
3 consensual lien on the Battelle Property leasehold interests of CPIII, as well as
4 specified personal property of CPIII. The holder of the claim in this class shall accrue
5 interest at the rate of six and thirty-sixths (6.36%) per annum on account of its
6 Allowed Claim. Beginning on the first business day of the month following the
7 Effective Date, the holder of the claim shall receive monthly payments of interest
8 only. At the end of 36 months GECC shall be paid in full any unpaid amount, if any,
9 of its Allowed Claim.
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13 The monthly interest payment is calculated at $\$58,258,354.15 \times 6.36\% =$
14 $3,705,231.32 / 12 \text{ months} = \$308,769.28$. GECC shall retain its lien of security interest
15 in the real property/leasehold interests of CPIII, including cash collateral, until its
16 Allowed Claims is paid in full. However, so long as the Debtor makes each payment
17 described herein, the Debtor shall be entitled to use all Base Rents, Service Rents and
18 Task Order Payments received for its ongoing course of business affairs, including
19 funding of this Plan of Reorganization. The Debtor reserves the right to challenge
20 default interest, penalties, and legal fees through the claims obligation process.
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24 b. Class 5 – Secured Claim of Benton County Treasurer. This
25 is a secured tax. The County of Benton, Washington, is the only holder of a Class 5
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1 claim. The County's claim is believed to have been paid, but additional taxes may be
2 due and owing by the time of confirmation. To the extent not paid, Class 5 shall be
3 paid in full within 60 days following the Effective date, with all statutory interest and
4 penalties. Until paid the amount of its Allowed Claim, the County shall retain any lien
5 that secured its claim. This Class is Impaired.
6

7
8 c. Class 6 – Secured Umpqua Bank. Class 6 consists of the
9 disputed secured claim of Umpqua Bank. The nature and extent of this claim, amount,
10 and lien status are disputed. The holder of the claim shall accrue interest at the rate of
11 five (5%) per annum on account of its Allowed Claim. Beginning on the first business
12 date of the month following the Effective date, or the date upon entry of a final order
13 allowing this claim, whichever is later in time, the holder of the Class 6 claim shall
14 receive equal monthly payments of interest only. At the end of 36 months, Class 6
15 shall be paid in full in outstanding unpaid amount, if any of its allowed claim.
16
17

18 Umpqua Bank, to extent allowed, shall retain its security interests and lien
19 until its Allowed Claim is paid in full. This Class is Impaired.
20

21 d. Class 7 - Secured Claim of Centrum Financial Services, Inc.
22 Class 7 consists of the disputed secured claim of Centrum Financial Services, Inc. The
23 nature and extent of this claim, amount, and lien status are disputed. The holder of the
24 claim shall accrue interest at the rate of five (5%) per annum on account of its
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1 Allowed Claim. Beginning on the first business date of the month following the
2 Effective date, or the date upon entry of a final order allowing this claim, whichever is
3 later in time, the holder of the Class 7 claim shall receive equal monthly payments of
4 interest only. At the end of 36 months, Class 7 shall be paid in full in outstanding
5 unpaid amount, if any of its allowed claim. This Class is Impaired.
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7
8 e. Class 8 - Secured Claim of Equity Funding, LLC. Class 8
9 consists of the disputed secured claim of Equity Funding, LLC. The nature and extent
10 of this claim, amount, and lien status are disputed. The holder of the claim shall accrue
11 interest at the rate of five (5%) per annum on account of its Allowed Claim. Beginning
12 on the first business date of the month following the Effective date, or the date upon
13 entry of a final order allowing this claim, whichever is later in time, the holder of the
14 Class 8 claim shall receive equal monthly payments of interest only. At the end of 36
15 months, Class 8 shall be paid in full in outstanding unpaid amount, if any of its
16 allowed claim. This Class is Impaired.
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19
20 f. Class 9 – Insider Unsecured Claims Centurion Pacific, LLC
21 and Centurion Southwest, LLC. Class 9 consists of the unsecured claims of Centurion
22 Pacific, LLC and Centurion Southwest, LLC, who are believed to be insiders. Both
23 claims are disputed by CPIII as to the amount and nature. The holder of an allowed
24 Class 9 claim shall accrue interest at five (5%) percent per annum on account of its
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1 Allowed Claim. Class 9 shall be paid in full with the outstanding unpaid amount, if
2 any, of their Allowed Claim within 36 months after the Effective date. This Class is
3 Impaired.
4

5 Equity Funding, LLC, to extent allowed shall retain its security interests and
6 lien until its Allowed Claim is paid in full. This Class is Impaired.
7

8 g. Class 10 – General Unsecured Creditors. The holder of an
9 allowed Class 10 claim shall accrue interest at the rate of six (6%) present per annum
10 on account of its Allowed Claim. The holder of an Allowed Class 10 Claim shall be
11 paid within ninety (90) days of the Effective date, with interest. This Class is
12 Impaired.
13

14 h. Class 11 – Insider Unsecured Claim Sigma Management,
15 Inc. The holder of an allowed Class 11 claim shall accrue interest at the rate of six
16 (6%) present per annum on account of its Allowed Claim. The holder of an Allowed
17 Class 11 Claim shall be paid within ninety (90) days of the Effective date, with
18 interest. This Class is Impaired.
19
20

21 C. Administration of the Plan.
22

23 The Plan provides for the appointment of the Debtor, through management, as
24 the Plan Disbursing Agent to collect, administer and distribute assets in accordance
25 with the terms of the Plan. The Debtor will receive no compensation for acting as the
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1 Plan Disbursing Agent. Sigma Management, Inc., shall receive a management fee for
2 overseeing disbursements.

3
4 The Plan Disbursing Agent will be authorized to employ legal and accounting
5 professionals necessary to carry out the provisions of the Plan; provided, however,
6 that prior to Substantial Consummation, any such employment shall be subject to
7 Court approval. Whenever the Plan, Code, Rules or documents implementing the
8 Plan require or permit notice to the Debtor after the Effective Date, such notice shall
9 be effective only when also given to the Plan Disbursing Agent. Unless terminated
10 sooner, the Plan Disbursing Agent shall serve until the Plan is fully consummated.
11

12
13 D. Unclaimed Funds and Interests.

14 For a period of two months from the date of the disbursement, the Plan
15 Disbursing Agent shall retain any distribution hereunder, which remains unclaimed.
16 Thereafter, the Claims giving rise to the right to distribution of such unclaimed funds
17 will be deemed disallowed and any unclaimed funds, net of expenses, will be
18 redistributed pro rata to the remaining creditors, except that (i) no redistribution will
19 be made to any creditor whose pro rata share of the funds to be distributed does not
20 exceed \$50 and (ii) no further distribution shall be made if the total amount of
21 unclaimed funds do not exceed \$500 plus the costs of distribution. If the amount of
22 unclaimed funds does not exceed \$500 plus the costs of distribution, such funds will
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1 be retained by the Plan Disbursing Agent as reimbursement for expenses in
2 administering such unclaimed funds.

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4 E. Disputed Claims.

5 Not later than sixty (60) days after the Effective Date, the Debtor may file with
6 the Bankruptcy Court, and serve on the holder of each Disputed Claim (i) an objection
7 to any Claim, or (ii) a motion to determine the extent, priority, or amount of any
8 secured or other Claim. All such Claims are preserved in the Plan. Any Creditor,
9 including those expressly discussed above, that wishes to have its Claim determined
10 by the Court to be a secured or priority Claim, must file with the Court a motion
11 seeking that determination not later than the Confirmation Date or file a timely
12 response to the Debtor's objection if such objection is filed. To the extent that (a) the
13 Debtor objects to any filed Claim or (b) a Creditor seeks to have a Claim that the Plan
14 treats as a general unsecured Claim determined to be secured or to have priority,
15 sufficient funds shall be withheld from distributions for the estimated payment of such
16 claim under the Plan until any such objection or determination has been resolved by
17 an order of the Court. No distributions will be made on any Disputed Claim until such
18 Claim is Allowed or the secured or priority status is determined.
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1 **ARTICLE III**

2 **Causes of Action**

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4 The Plan provides for the Debtor to retain all Causes of Action, including the
5 following two Adversary proceedings:

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7 1. *Centurion Properties III, LLC, et al., v. Thomas Hazelrigg III, et al.,*

8 Adversary No. 10-80118-FLK. The actions complained of in this adversary
9 stem from the alleged loan obligations entered into by the former directors
10 of the Debtor, as well as multiple ultra vires actions and breach of fiduciary
11 duties owed by these former directors. Recovery to the estate may be in the
12 form of injunctive relief, damages for civil conspiracy, Washington State
13 Ricco, breach of fiduciary duty, quiet title, corporate misconduct –forfeiture
14 of interest, deceptive trade practices (RCW 19.86, et seq.), conversion,
15 reallocation of member's interest, attorney fees and costs, and other just and
16 equitable relief. The value of this action to the estate is to be determined.
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19

20 2. *Centurion Properties III, LLC v. Equity Funding, et al.,* Adversary No. 10-
21 80137-FLK. The actions giving rise to this Adversary proceeding including:

- 22
23 a. The Defendants representing to others, including financiers, banks,
24 mortgage brokers, real estate brokers and agents that they own,
25 control, and have authority to sell the Battelle Property;
26

- b. The Defendants soliciting offers to purchase the property of the estate from others through the use of a Confidential Offering Memorandum;
- c. The Defendants interfering and impeding the Debtor's ability to reorganize by willful, intentional, and unauthorized solicitation of offers to purchase the Battelle Property.

ARTICLE IV

A. Prepetition. All such assumptions are made pursuant to the provisions of this Plan. Other than those that are assumed, all other prepetition executor contracts and leases are rejected as of the Effective Date. Claims resulting from the rejection of a prepetition Executory Contract (if any) shall be filed within ten (10) days after entry of the Confirmation Order or such Claims are waived and deemed not allowed. Any

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1 Claims filed pursuant to a rejected prepetition Executory Contract shall be subject to
2 objection by the Debtor and to consideration by the Court. If any such Claim becomes
3 an Allowed Claim, it shall be a Class 10 Unsecured Claim. The Debtor does not
4 believe there are any such claims.
5

6 B. Post-Petition. All post-petition leases and Executory Contracts are
7 assumed as of the Effective Date. Any Claims resulting from the rejection of a post-
8 petition Executory Contract, if any, shall be filed within ten (10) days of entry of the
9 Confirmation Order or such Claims are waived and deemed not allowed. Any such
10 Claims shall be subject to objection by the Debtor and to consideration by the Court.
11 If any such Claim becomes an Allowed Claim, it shall be a Class 10 Unsecured Claim.
12 The Debtor does not believe there are any such claims.
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16 ARTICLE V

17 The Reorganized Debtor.

18 Immediately upon the Effective Date, all of the assets of the Debtor shall vest in
19 the Reorganized Debtor. The Reorganized Debtor shall in turn perform the obligations
20 under the Plan. Sigma will continue as the manager of the Debtor. No distributions
21 will be made to any member of the Debtor until the Plan obligations are fulfilled.
22 Sigma, an insider of the Debtor, will continue to manage the Battelle Property. Its
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1 compensation will be the same as it has received in the past, pursuant to the terms of
2 its agreement.

3 ARTICLE VI

4 Funding of the Plan.

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6 A. Replacement Financing. The Plan will be funded from encumbered
7 and encumber cash on hand, the continued operating revenue of the Battelle Property,
8 the net proceeds of any causes of action, and replacement financing for Allowed
9 Secured Claims. CPIII has employed the services of Randal Stamper to assist it in its
10 quest to obtain commercial financing in an amount necessary to satisfy all allowed
11 secured debt obligations under this Plan. Such efforts are under way and continuing.
12 The foregoing will either be conventional financing or bond financing. Interest rates
13 are presently at historical lows. Although the commercial credit market is tight at this
14 time, the historical cash flow and financial strength of the tenant make CPIII strong
15 candidate for refinancing. Distributions under the Plan shall be made to the Allowed
16 Claimants by the Disbursing Agent, who shall report on actively in periodic reports to
17 the Court.

18
19 B. Rents. Upon confirmation the Debtor shall commence making
20 monthly interest payments to secured lender GECC in the amount of \$308,769.28.
21 This payout shall be made from monthly Base Rents and Service Rents received from
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1 Battelle. Any Rents received in excess of the \$308,769.28 GECC payment shall be
2 available to be utilized by the Debtor for the Plan Funding, as well as operations.
3

4 C. Any sums recovered by Causes of Action brought by the Estate,
5 net of the attorneys' fees and costs associated with bringing the Causes of Action,
6 shall be used to fund the Plan; unless all payments required by the Plan have been
7 made, in which case, whose sums shall accrue to the Reorganized Debtor.
8

9 D. The Debtor reserves the right to object to any Claims, pursuant to
10 the procedures set forth herein. The Debtor anticipates that it will object to the
11 Secured Claims identified in the Plan. However, the Debtor anticipates that many of
12 these objections will be resolved informally prior to the confirmation hearing.
13

14 ARTICLE VII

15 The Disbursing Agent.

16
17 A. Appointment. The Debtor or Reorganized Debtor shall be
18 appointed as the Disbursing Agent, to act through Sigma Management, Inc., pursuant
19 to the Confirmation Order. The Debtor shall, among other things, act instead of and as
20 the nominee of the holders of Claims, receive payments from the Debtor, and make all
21 payments and distributions contemplated by the Plan.
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1 B. Compensation of the Disbursing Agent. The Disbursing Agent
2 shall be entitled to compensation for services rendered under the management
3 agreement.
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5 **ARTICLE VIII**

6 Conditions Precedent to the Plan.

7
8 Conditions precedent include that the Confirmation Order must become a Final
9 Order and all documents necessary and appropriate to effectuate the Plan shall have
10 been executed and delivered by all parties. The Debtor shall have the right to
11 determine that any condition precedent has been met or waived by the Debtor.
12

13 **ARTICLE IX**

14 Objections to and Estimation of Claims.

15
16 A. Objections and Bar Date for Filing Objections. Not later than thirty
17 (30) days after the Effective Date, the Debtor may file with the Bankruptcy Court, and
18 serve on the holder of each Disputed Claim, (i) an objection to any Claim, or (ii) a
19 motion to determine the extent, priority or amount of any secured or other Claim. All
20 such Claims are preserved in the Plan. Any Creditor, including those expressly
21 discussed above, that wishes to have its Claim determined by the Court to be a secured
22 or priority Claim, must file with the Court a motion seeking that determination not
23 later than the Confirmation Date or file a timely response to the Debtor's objection if
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1 such objection is filed. To the extent that (a) the Debtor objects to any filed Claim or
2 (b) a Creditor seeks to have a Claim that the Plan treats as a general unsecured Claim
3 determined to be secured or to have priority, sufficient funds shall be withheld from
4 distributions for the estimated payments of such claim under the Plan until any such
5 objection or determination has been resolved by an order of the Court. No
6 distributions will be made on any Disputed Claim until such claim is Allowed or the
7 secured or priority status is determined.
8

9
10 B. Settlement of Claims. Settlement of any objection to a Claim shall
11 be permitted on the twentieth (20th) date after notice of the settlement has been mailed
12 to the Debtor, the settling party, the Debtor's members and managers, and other
13 persons specifically requesting such notice, and, if on such date there is no written
14 objection to the settlement, the Court, on notice to the objecting party, must approve
15 the settlement.
16

17
18 C. Estimation of Claims. For purposes of making distributions
19 provided for under the Plan, all Claims objected to shall be estimated by the
20 Disbursing Agent at an amount equal to (1) the amount claimed if the Bankruptcy
21 Court has not made an estimation of such Claim, or (2) the amount, if any, determined
22 by the Court pursuant to § 502(c) of the Bankruptcy Code as an estimate for
23 distribution purposes. Notwithstanding anything herein to the contrary, no
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1 distributions shall be made on account of any Claim until such Claim is an Allowed
2 Claim.

3 4 ARTICLE X

5 Conditions to Distributions.

6 The Disbursing Agent may, as a condition to receipt of distributions of funds,
7
8 require a holder of a Claim to return and cancel instruments respecting such Claim or
9 to execute separate releases of any Claims provided for under this Plan. Upon receipt
10 of full payment of its Allowed Claim, a secured Creditor shall release its lien and/or
11 effectuate the cancellation of instruments evidencing such lien, and shall cooperate
12 with reasonable requests that it may receive from an escrow or title insurance
13 company to provide confirmation of the payoff amount of its Allowed Claims and its
14 agreement to release of its lien is conditioned only upon payment of its Allowed
15 Claim.
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18 ARTICLE XI

19 Unclaimed Funds and Interest.

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21 For a period of two (2) months from the date of the disbursement, the Plan
22 Disbursing Agent shall retain any distribution hereunder, which remains unclaimed.
23
24 Thereafter, the Claims giving rise to the right to distribution of such unclaimed funds
25 will be deemed disallowed and any unclaimed funds, net of expenses, will be
26

1 redistributed pro rata to the remaining creditors, except that (i) no redistribution will
2 be made to any creditor whose pro rata share of the funds to be distributed does not
3 exceed \$50 and (ii) no further distribution shall be made if the total amount of
4 unclaimed funds do not exceed \$500 plus the costs of distribution. If the amount of
5 unclaimed funds does not exceed \$500 plus the costs of distribution, such funds will
6 be retained by the Plan Disbursing Agent as reimbursement for expenses in
7 administering such unclaimed funds.
8
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10 ARTICLE XII

11 Non-allowance of Penalties and Fines.

12
13 No distribution shall be made under this Plan on account of, and no Allowed
14 Claim, whether secured, unsecured or priority, shall include any fine, penalty,
15 exemplary or punitive damages, late charges, default interest, or other monetary
16 charge relating to or arising from any default or breach by the Debtor, and any Claim
17 on account thereof shall be deemed disallowed whether or not an objection is filed to
18 it. Provided, however, if prior to the Confirmation Date any Creditor asserting an
19 entitlement to such fine, penalty, exemplary or punitive damages, late charges, default
20 interest, or other monetary charge relating to or arising from any default or breach by
21 the Debtor has filed a motion with the Court specifically seeking the allowance of
22 such fine, penalty, exemplary or punitive damages, late charges, default interest, or
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1 other monetary charge relating to or arising from any default or breach by the Debtor,
2 in which even the Court shall determine the extent of the Creditor's Allowed Claim.
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4 ARTICLE XIII

5 Entitlement to Fees, Costs and Other Charges.

6 Except to the extent previously allowed by a court with proper jurisdiction, any
7 Claimant or Creditor that seeks to include in such Claim any other fees, costs or
8 charges that are allowable under its agreements with the Debtor, applicable state law
9 and the Bankruptcy Code; shall file an application seeking to have said fees, costs or
10 other charges approved by the Court. Said fees, costs and other charges shall not be
11 included in the Creditor's Allowed Claim.
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14 ARTICLE XIV

15 Discharge and Release Provisions.

16
17 Except as otherwise provided in the Plan or the Confirmation Order, entry of
18 the Confirmation Order acts as a discharge, effective as of the Effective Date, of any
19 and all debts, obligations, liabilities and claims, whether contingent or otherwise, of
20 the Debtor or Reorganized Debtor that arose at any time before the Effective Date,
21 including, but not limited to, all interest in the Debtor, and all principle and any and
22 all interest accrued thereon, pursuant to § 1141(d)(1) of the Bankruptcy Code. The
23 discharge of the Debtor shall be effective as to each Claim, regardless of whether a
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1 proof of Claim thereof was filed, whether or not the Claim is an Allowed Claim, or
2 whether the holder thereof voted to accept the Plan.
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4 **ARTICLE XV**

5 **Retention of Jurisdiction.**

6 Until the case is closed, the Court will retain jurisdiction to insure that the
7 purposes and intent of the Plan are carried out. Without limiting the generality of the
8 foregoing, the Court will retain jurisdiction, until the Plan is fully consummated, for
9 the following purposes:
10

11 A. **Claims.** The classification, allowance, subordination and
12 liquidation of the Claim of any Creditor and the determination of such obligations as
13 may be filed.
14

15 B. **Title and Disputes.** The determination of all questions and disputes
16 regarding the title of the assets of the Estate, and the determination of all Causes of
17 Action, controversies, disputes or conflicts, known or unknown, whether or not
18 subject to action pending as of the Confirmation Date, between the Debtor and any
19 other party, including but not limited to the Debtor's right to recover assets, avoid
20 transfers, recover fraudulent transfers, offset Claims, recover money or property from
21 any party, or return assets which were or are the property of the Estate pursuant to the
22 provisions of the Bankruptcy Code.
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1 C. Executory Contracts. The determination of all matters relating to
2 the assumption, assignment or rejection of executory contracts and unexpired leases,
3 including Claims for damages from the rejection of any executor contract or unexpired
4 lease, within such time as the Bankruptcy Court may direct.

6 D. Estimation. The liquidation or estimation of damages or the
7 determination of the manner and time for such liquidation or estimation in connection
8 with any contingent, disputed or unliquidated Claims.

10 E. Plan Corrections. The correction of any defect, the curing of any
11 omission, or the reconciliation of any inconsistency in the Plan, the Confirmation
12 Order, or any and all documents executed or to be executed in connection therewith,
13 as may be necessary to carry out purposes and the intent of the Plan, on such notice as
14 the Bankruptcy Court shall determine to be appropriate.

17 F. Plan Modifications. The modification of the Plan after
18 Confirmation, pursuant to the Bankruptcy Rules and the Bankruptcy Code.

20 G. Administrative Claims. The adjudication of all Claims,
21 controversies, contested matters or adversary proceedings arising out of any
22 purchases, sales, agreements or obligation made or undertaken by and between the
23 Debtor and any third party during the pendency of the Debtor's reorganization case.
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1 H. Interpretation. The enforcement and interpretation of the terms and
2 conditions of the Plan and the determination of all controversies and disputes that may
3 arise in connection with the enforcement, interpretation or consummation of the Plan.
4

5 I. Extensions of Time. The shortening or extending, for cause, of the
6 time fixed for doing any act or thing under the Plan on such notice as the Court shall
7 determine to be appropriate.
8

9 J. Enforcement. The entry of any order, including injunctions,
10 necessary to enforce the title, rights and powers of the Debtor, and to impose such
11 limitations, restrictions, terms and conditions on such title, rights and powers as the
12 Court may deem appropriate.
13

14 K. Termination. The entry of an order concluding and terminating this
15 Chapter 11 Case.
16

17 L. Litigation. To decide or resolve any and all applications, motions,
18 adversary (including, but not limited to, any Causes of Action, including the Wells
19 Fargo Cause of Action), contested or litigated matters and any other matters or grant
20 to deny any application involving the Debtor. To issue injunctions, enter and
21 implement other orders or take such other actions as may be necessary or appropriate
22 to restrain interference by any person or entity with consummation or enforcement of
23 the Plan.
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1 M. Other Matters. The determination of such other matters as may be
2 provided in the Confirmation Order or as may be authorized under the Bankruptcy
3 Code.
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5 ARTICLE XVI

6 Modification of the Plan.

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8 In addition to the modification rights under § 1127 of the Bankruptcy Code, the
9 Debtor may propose amendments to or modifications of this Plan and any time prior
10 to the entry of the Confirmation Order, with leave of the Court, upon such notice as
11 may be prescribed by the Court. After entry of the Confirmation Order, the
12 Reorganized Debtor may, with the approval of the Court, and so long as it does not
13 materially or adversely affect the interest of Creditors, cure any omission, correct any
14 defect, or reconcile any inconsistencies in the Plan, the Confirmation Order or any and
15 all documents executed or to be executed in accordance therewith, in such manner as
16 may be necessary to carry out the purposes and intent of this Plan, including any
17 modification necessary to carry out the purposes and intent of this Plan including any
18 modification necessary to eliminate any impairment under Bankruptcy Code § 1124 of
19 any Class that is treated as not impaired under this Plan.
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1 **ARTICLE XVII**

2 **Effect of Confirmation.**

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4 Except as provided in the Plan or in the Confirmation Order, on the
5 Confirmation Date, the Reorganized Debtor shall be vested with all of the property of
6 its Estate, including, without limitation, (i) all inventory, cash and cash equivalents,
7 accounts and other receivables, chattel paper, contracts, (ii) any and all Claims or
8 Causes of Action of any nature or kind, (iii) any and all Claims against any
9 professionals employed by the Debtor, and (iv) any and all Claims under §§
10 1123(a)(5)(B) and shall be free and clear of all Claims, interests, liens and
11 encumbrances deriving from, among others, the Claims and/or interests of the
12 individuals and entities; provided, however, that all property transferred from the
13 Debtor and the Estate to the Reorganized Debtor shall be subject to any and all
14 Claims, interests, liens, encumbrances, restrictions and duties remaining on and after
15 the Effective Date as specifically set forth in the Plan or the Confirmation Order.
16 Upon the Effective Date, the Reorganized Debtor shall operate its business free of
17 bankruptcy restrictions. All Causes of Action shall revert in the Debtor who shall have
18 the sole and exclusive right to bring, not bring, compromise or otherwise resolve any
19 such Causes of Action.
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1 Except as otherwise provided in the Plan, or in any contract instrument, release
2 or other agreement entered into in connection with the Plan, in accordance with §
3 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce
4 any claims, rights and Causes of Action that the Debtor or the Estate may hold against
5 any entity, including, without limitation, any claims, rights of Causes of Action under
6 §§ 544 through 550 of the Bankruptcy Code or any similar provisions of state law, or
7 any other statute or legal theory. The Reorganized Debtor or any successor may
8 pursue those rights of action, as appropriate, in accordance with what is in the best
9 interests of the Reorganized Debtor or any successors that may hold such rights of
10 action.
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14 To the extent the automatic stay is still in effect, the automatic stay shall
15 automatically terminate pursuant to 11 U.S.C § 362(c)(1) upon Confirmation of the
16 Plan.
17

18 Neither the Debtor, the Reorganized Debtor, the U.S. Trustee, nor any of their
19 employees, managers, officers, trustees, agents or representatives, nor any
20 professionals employed by any of them, shall have or incur any liability to any person
21 or entity for any act taken or omission made in good faith in connection with or
22 related to formulating (including but not limited to identification, classification or
23 omission from classification of Claims), implementing, confirming or consummating
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1 the Plan, the or any contract, instrument, release or other agreement or document
2 created in connection with the Plan.
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4 5 ARTICLE XVIII

6 Substantial Consummation.

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8 Substantial consummation of the Plan, as defined in § 1101(2) of the Code, can
9 only occur upon the commencement of distributions under this Plan.
10

11 12 ARTICLE XIX

13 Miscellaneous.

14 A. Payment Dates. Whenever any payment or distribution to be made
15 under the Plan shall be due on a day other than a business day, such payment or
16 distribution to be made under the Plan shall be due on a day other than a business day,
17 such payment or distribution shall instead be made without interest on the next
18 business day.
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22 B. Notices. All notices, requests or demands for payment provided for
23 in the Plan shall be in writing and shall be deemed to have been given when
24 personally delivered by hand or deposited in any general or branch post office of the
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1 United States Postal Service or received by telecopy. Notice, requests and demands
2 for payment shall be addressed and sent postage prepaid or delivered to:
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5 The Debtor:

6 Centurion Properties III, LLC
7 100 N. Fruitland Street, Suite E
8 Kennewick, WA 99336

9 With a copy to:

10 John D. Munding
11 Crumb & Munding, P.S.
12 111 South Post, PH 2290
13 Spokane, WA 99201

14 C. Headings. The headings used in the Plan are inserted for
15 convenience only and neither constitute a portion of the Plan nor affect in any manner,
16 the provisions or interpretation of the Plan.
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19 D. Default. Any Creditor may notify the Disbursing Agent in writing
20 of a default under the Plan. In the event written notice of a default is transmitted to the
21 Disbursing Agent, the Disbursing Agent or any party in interest will have thirty (30)
22 days to cure the alleged default. Absent cure or a prior order granting that party relief,
23 the aggrieved party may seek relief from the Bankruptcy Court.
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2 Dated this 10th day of January, 2011.
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5 CENTURION PROPERTIES III, LLC

6 By SMI Group XIV, LLC, its Manager

7
8 By: 

9 Michael E. Henry
10 Its Sole Member

11 CRUMB & MUNDING, P.S.
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13 

14 JOHN D. MUNDING, WSBA #21734
15 Attorneys for Debtor-in-Possession.
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